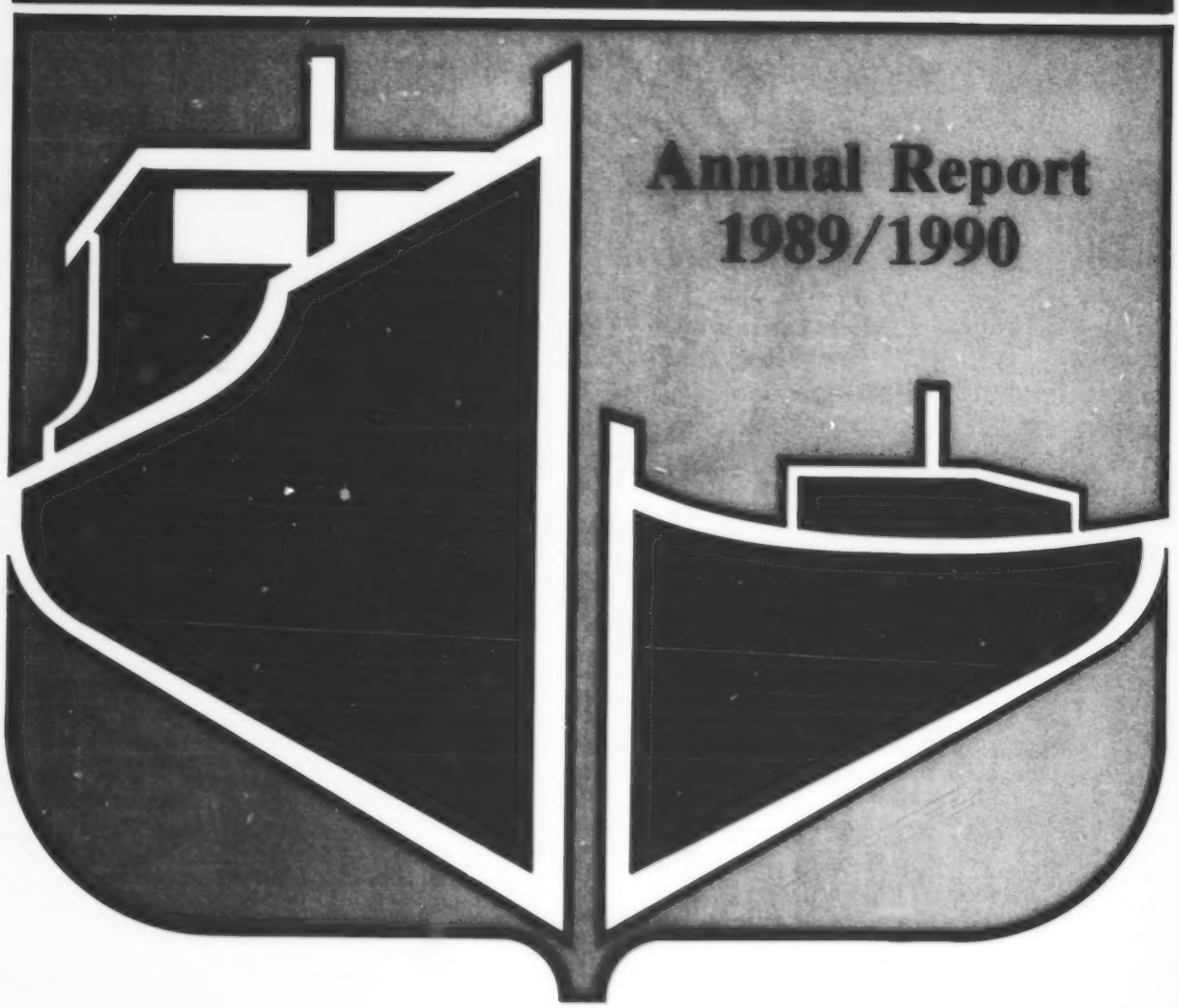
FISHERIES LOAN BOARD



Annual Report 1989/1990

The Cover of the Annual Report
is the Fisheries Loan Board Logo

91-00535/

Fisheries Loan Board of Newfoundland and Labrador
P.O. Box 8700
Suite 502, 5th Floor
Atlantic Place
St. John's, Nfld.
A1B 4J6

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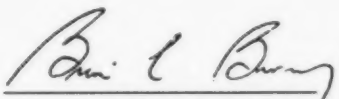
Honourable Walter C. Carter, M.H.A.
Minister of Fisheries
Government of Newfoundland and Labrador
St. John's, Newfoundland

Sir:

On behalf of the Fisheries Loan Board of Newfoundland and Labrador, I am pleased to submit the Annual Report, together with the financial statements, of the Board, for the fiscal year ended March 31, 1990.

Respectfully submitted,



Brian C. Bursey
Managing Director
Fisheries Loan Board

The Fisheries Loan Board of Newfoundland and Labrador was established in 1949 to provide financing for the development of the fishing industry. Over the years the Board's mandate has evolved so that it now provides financing exclusively for fishermen to acquire fishing vessels and related equipment to pursue the inshore and midshore fisheries.

All loan applications for financial assistance are processed by officials of the Loan Board and are submitted to the Executive Board for approval. The Executive Board, which meets every second week, presently consists of nine members representing the fishing industry, the Provincial and Federal Governments, and the private sector. Members of the Board are appointed by the Lieutenant-Governor in Council.

This report briefly describes some of the highlights for the 1989-90 fiscal year to convey to the Honourable Walter C. Carter, M.H.A., Minister of Fisheries, and to the general public, statistical, financial and general information related to the Board's operations.

It is a pleasure to submit the 1989-90 Annual Report of the Fisheries Loan Board. The 1989-90 fiscal year continued to be a very busy one for the Board, with strong demand for both direct and guaranteed loans, as well as for the Board's three Bounty programs.

History has shown a close correlation between the health of the inshore fishery and the demand for Board programs, and the most recent year was no exception. Although landings remained high in many areas of the Province, increased concern about resource availability and quota reductions have caused many fishermen to take a second look at vessel replacement. These concerns have been deepened by an increase in interest rates. The Board's lending rate of 10½% throughout 1989-90 as compared with 6¾% and 8¾% in the first and latter half of 1988-89 reflects the dramatic increase in prime lending rates.

While these factors resulted in a reduction of 13% in the value of new loans under the Direct Loan Program, and an even greater reduction under the Bank Loan Guarantee Program, it is important to recognize that the overall level of activity continued to be high relative to most of the 1980's. Loan approvals under the Direct Loan and Bank Loan Guarantee Program totalled 978, with a combined value of $22.7 million. The combined portfolios of these two programs also continued to climb, reaching $110 million by year end. Meanwhile Government authorized an increase from $1.0 million to $1.3 million in the maximum loan which could be provided under the Bank Loan Guarantee Program in recognition of the growing complexity and cost of larger inshore vessels.

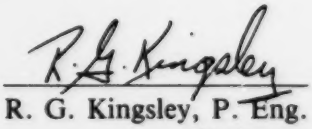
1989-90 also proved to be a demanding year for the Technical Services Section of the Board with several new firms being added to the Board's list of approved builders. Meanwhile economic pressures and a reduction in the demand for new vessels resulted in financial difficulty for some local builders.

The Technical Services Section, in addition to its responsibilities related to fishing vessel construction and repair, also administers the Board's Small and Large Boat Bounty Programs. These programs provided grants to fishermen to assist in the purchase or reconstruction of fishing vessels. Demand for all three of the programs continued to be high during 1989-90 with payments under the Large Boat Bounty Program establishing a record level at $2.6 million.

The 1989-90 year was, in terms of revenue, on a par with the previous year, reflecting the mixed success of the inshore fisheries. Collections under the Direct Loan Program totalled $6.6 million. Approximately $3.3 million of this amount came from the Board's Assignment of Catch Program, whereby fishermen authorize processing plants to remit a portion of gross vessel sales to the Board.

Of major concern to the Board, as we move into the 1990-91 fiscal year, are the continuing reductions in biomass, quotas, and total allowable catches for many of the fish stocks harvested by the Province's inshore fishermen. Fisheries Loan Programs will need to adjust in recognition of these program resource problems and other fundamental changes now underway in the fishing industry. Accordingly the Board has initiated a detailed review of its programs with the objective of implementing required changes during 1990-91.

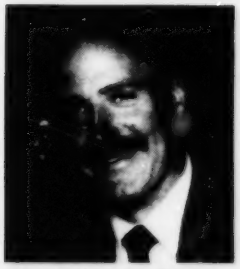
The success of the Fisheries Loan Board is dependent, not only upon the efforts of its own staff, but also upon its Executive Board, Department of Fisheries Field Staff, shipyards and suppliers, Chartered Banks, the FFAW, and, of course, the more than 5,000 fishermen who are clients of the Board. I wish to express my appreciation to these organizations and individuals who helped to make 1989-90 a successful year.



R. G. Kingsley, P. Eng.
Chairman

Mr. Reginald Kingsley, Chairman
Assistant Deputy Minister
Department of Fisheries

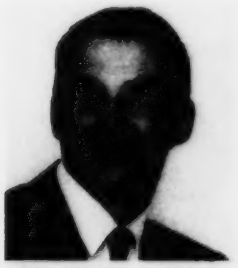
Mr. Eric Wells
Deputy Chairman,
Fisheries Loan Board



Mr. Brian C. Bursey
Managing Director
Fisheries Loan Board

Mr. Kevin Carroll
Fishermen Food and Allied
Workers Union

Mr. Jerry Canning
Member at Large



Mr. William Walsh
Fisherman

Mr. Doug Chubbs
Institute of Fisheries and
Marine Technology

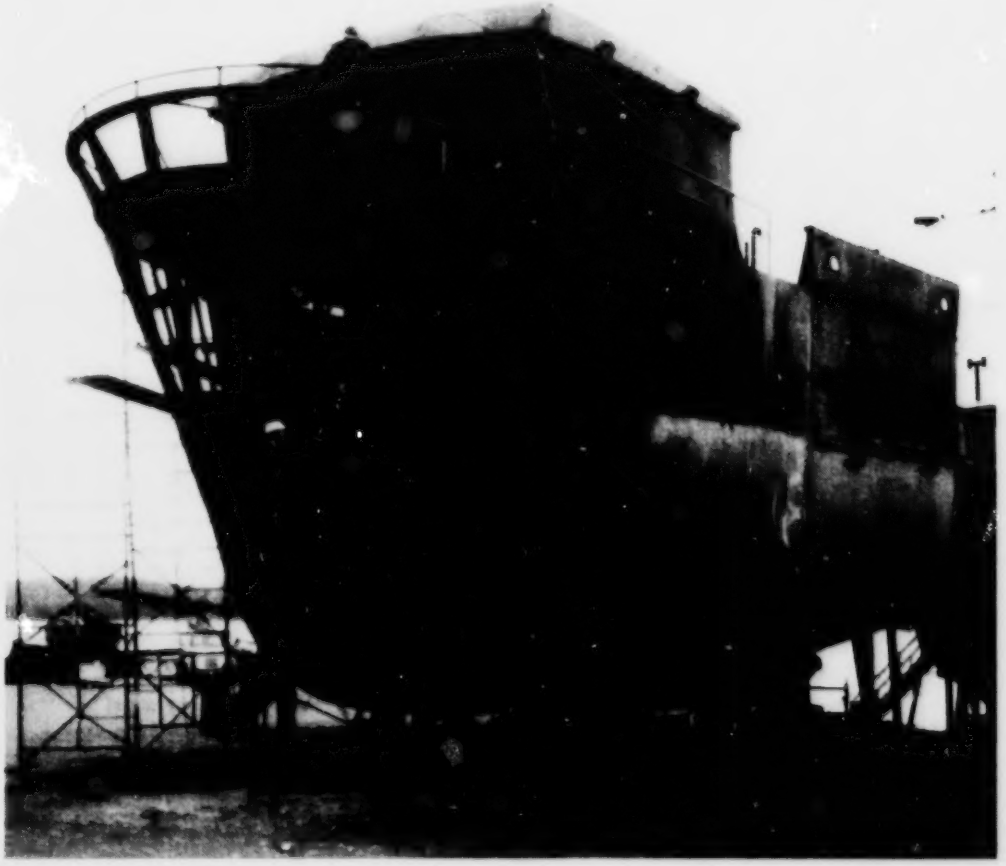
Mr. David Aylward
Department of Fisheries & Oceans

Missing from photos is Mr. William Cornick, Fisherman.

The Fisheries Loan Board operates under the authority of **The Fisheries Loan Act, The Fishing Ships (Bounties) Act, The Fishing and Coasting Vessels Rebuilding and Repairs (Bounties) Act**, The Bank Loan Guarantee Program and the Small Boat Bounty Program. Authority is provided for the Board to provide low interest loans and guarantees and capital grants (Bounties) to fishermen who meet the eligibility criteria set forth in the Acts, Regulations and Guidelines.

In addition to providing financial assistance, the Board has been responsive to the needs of fishermen in other ways, including the provision of advice on the viability of proposed operations and, generally, in helping fishermen to manage their financial affairs. Furthermore, technical advice and inspection services are provided to ensure that fishing vessels are constructed and equipped to adequate standards.

The following pages summarize the Assistance Programs administered by the Board.



LENDING PROGRAMS

Direct Loan Program

Direct loans of less than $50,000 are provided by the Board at subsidized interest rates. The interest rate charged is three percentage points below the Provincial Government Banker's prime interest rate as determined on April 1 and October 1 of each year. These loans are intended for the purchase of small fishing vessels and related equipment.

Bank Loan Guarantee Program

Loans between $50,000 and $1,300,000 are provided directly by Chartered Banks and are guaranteed by Government. An interest subsidy is also provided so that fishermen pay the same interest rates on bank loans as are charged on loans through the Direct Loan Program.

The tables on the following pages provide statistical information concerning Direct Loan and Bank Loan Guarantee Program activity for 1989/1990 with comparative figures for the preceding fiscal year.

BOUNTY PROGRAMS

The purpose of the Bounty Programs is to encourage the acquisition, replacement or rebuilding and repair of small and large vessels by providing a subsidy to reduce the capital costs of boats to fishermen. The Programs consist of:

(A) A Small Boat Bounty Program for new vessels less than 10 tons (usually under 35 feet). The subsidy is provided on a per foot basis.

(B) A Large Boat Bounty Program for new vessels greater than 10 tons. The subsidy is provided on an underdeck tonnage basis.

(C) A Rebuilding and Repair Bounty Program to rebuild and repair vessels in excess of 10 tons, more than 8 years old, and registered in Newfoundland for at least five years. The subsidy is provided as a percentage of the approved cost.

The graphics on the following pages provide statistical information concerning the Bounty Programs for 1989/1990 with comparative figures for the preceding fiscal year.

Table 1

Direct Loans Approved for Fiscal Year 1989/1990 (with comparative figures for 1988/1989)

	Number			Loan Amount ($000)		
Purpose of Loan	**88/89**	**89/90**	**+(−)%**	**88/89**	**89/90**	**+(−)%**
Engines & Equipment	595	402	(32)	3,584	2,531	(29)
New Boats 35′ and Under	424	367	(14)	4,246	3,887	(8)
New Boats Over 35′	0	2	-	0	100	-
Used Boats 35′ and Under	122	99	(19)	2,036	1,599	(22)
Used Boats Over 35′	47	56	20	1,411	1,744	24
Total Direct Loans	1,188	926	(22)	11,277	9,861	(13)

Table 2

Bank Loans Approved for Fiscal Year 1989/1990 (with comparative figures for 1988/1989)

	Number			Loan Amount ($000)		
Purpose of Loan	**88/89**	**89/90**	**+(−)%**	**88/89**	**89/90**	**+(−)%**
Engines & Equipment	6	7	16	429	385	(10)
New Boats 35′ and Under	6	4	(33)	469	334	(29)
New Boats Over 35′	33	12	(64)	19,743	5,984	(70)
Used Boats 35′ and Under	0	0	-	0	0	-
Used Boats Over 35′	23	29	26	4,764	6,173	30
Total Bank Loans	68	52	(24)	25,405	12,877	(50)

Table 3

Loans Approved for New Vessels (large and small)
1985/1986-1989/1990

	Direct Loans				Bank Loans			
	Small Boats		Large Boats		Small Boats		Large Boats	
	#	Loan Amount ($000)	#	Loan Amount ($000)	#	Loan Amount ($000)	#	Loan Amount ($000)
1989/1990	367	3,887	2	100	4	334	12	5,984
1988/1989	424	4,246	-	-	6	469	33	19,743
1987/1988	515	4,964	4	129	3	185	35	15,940
1986/1987	271	2,270	3	83	-	-	2	1,061
1985/1986	183	1,384	4	199	-	-	2	505

Small boats are those 35′ and under in length.
Boats greater than 35′ in length are defined as large boats.

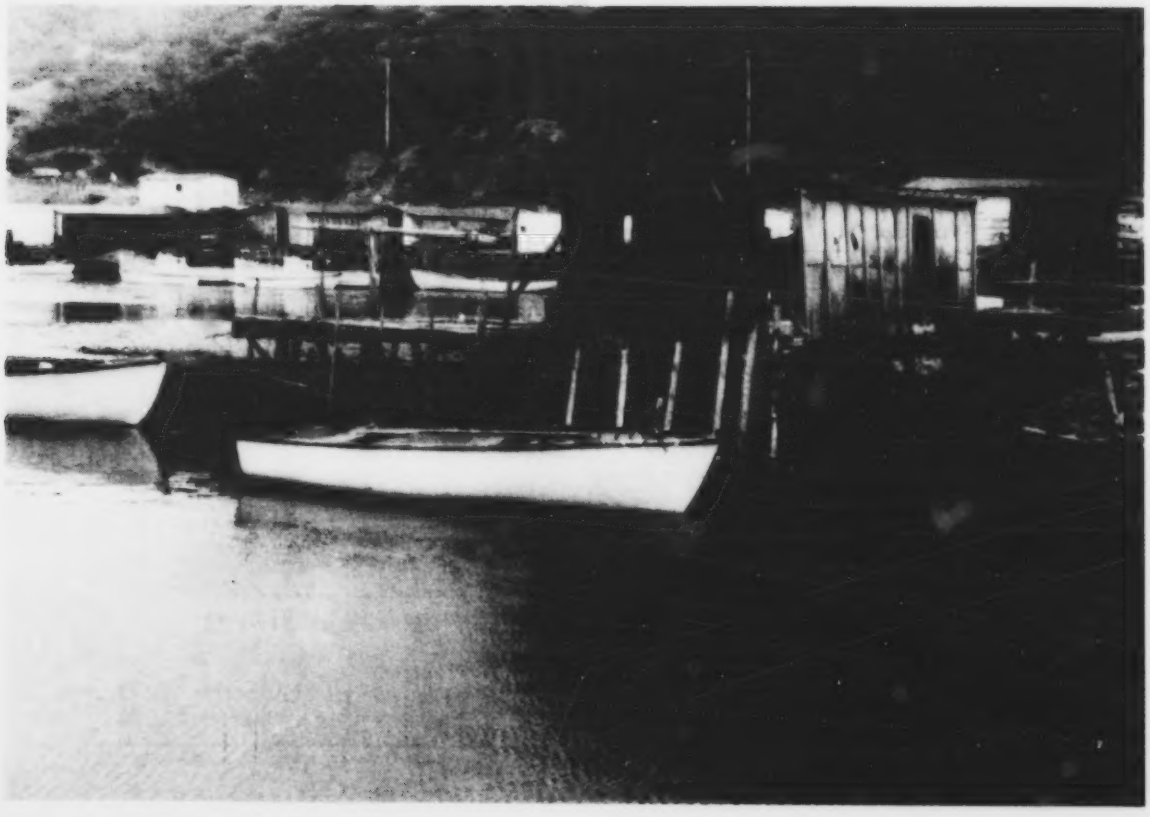
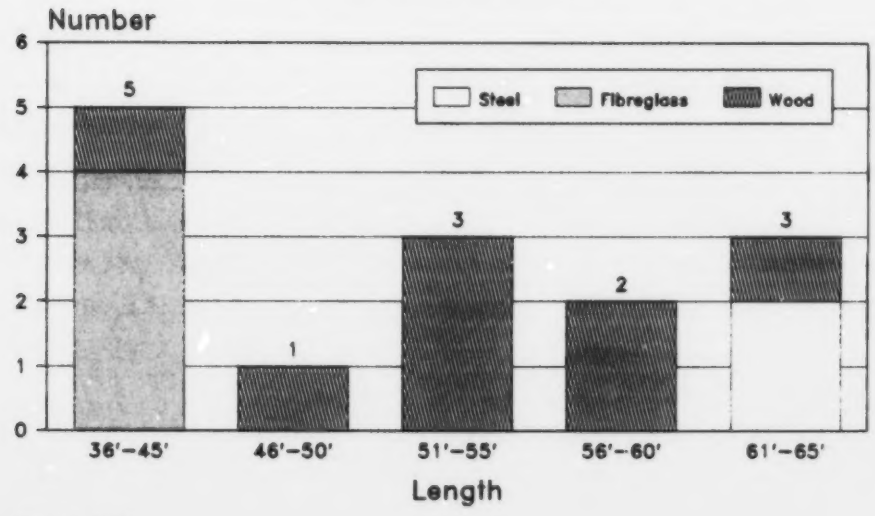


Figure 1

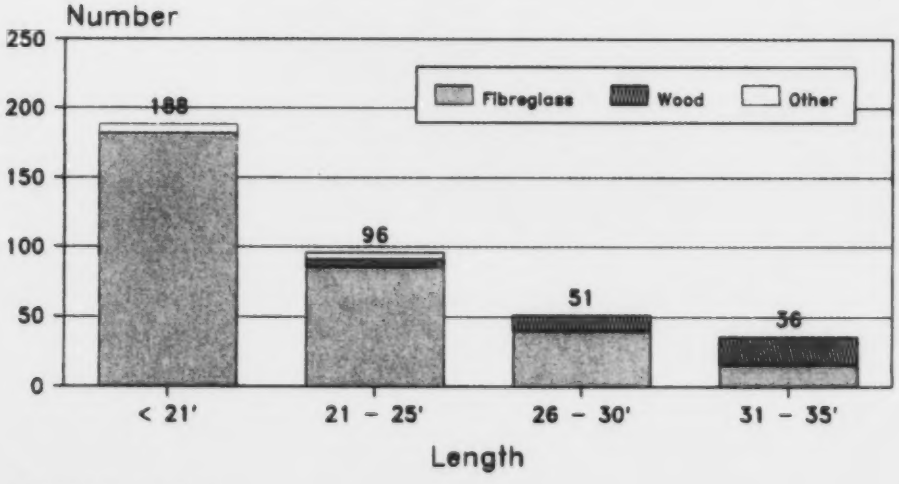
**Loans Approved for Large New Vessels*
1989/90 (by Type & Size)**



* Over 35'.

Figure 2

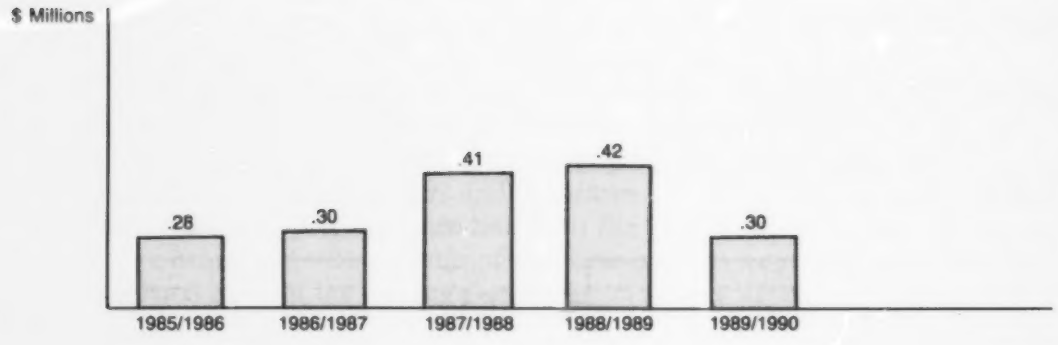
**Loans Approved for Small New Vessel*
1989/90 (by Type and Size)**



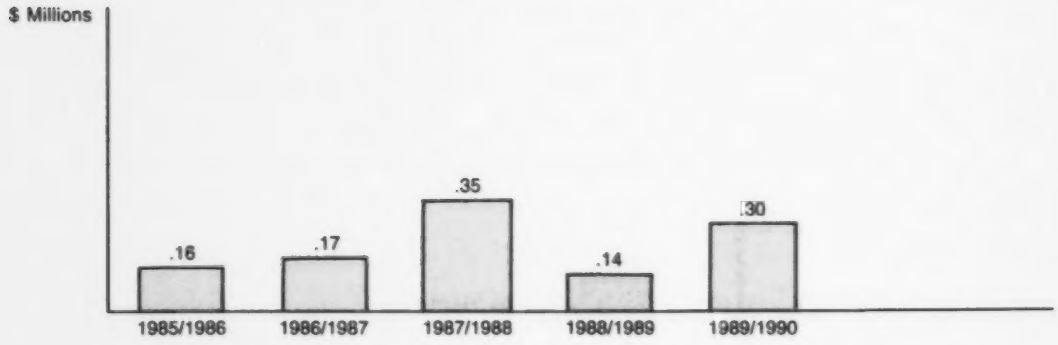
* 35' and under.

FIGURE 3
Bounty Programs (By Dollar Value)
1985/1986 - 1989/1990

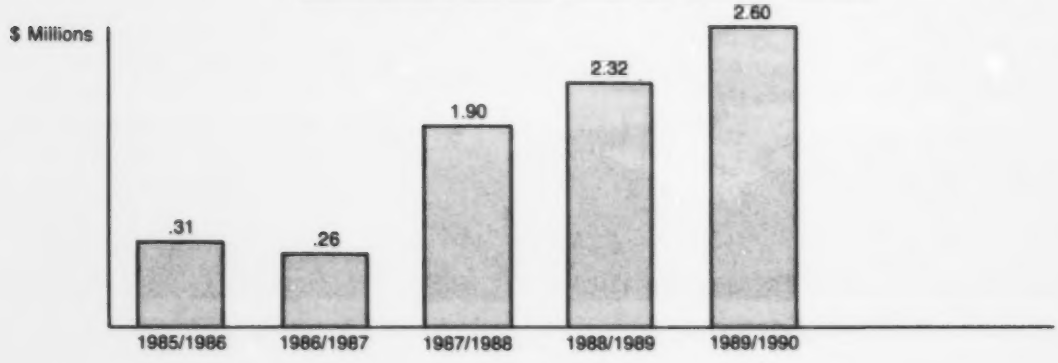
Small Boat Bounty (vessels less than 35 ft.)

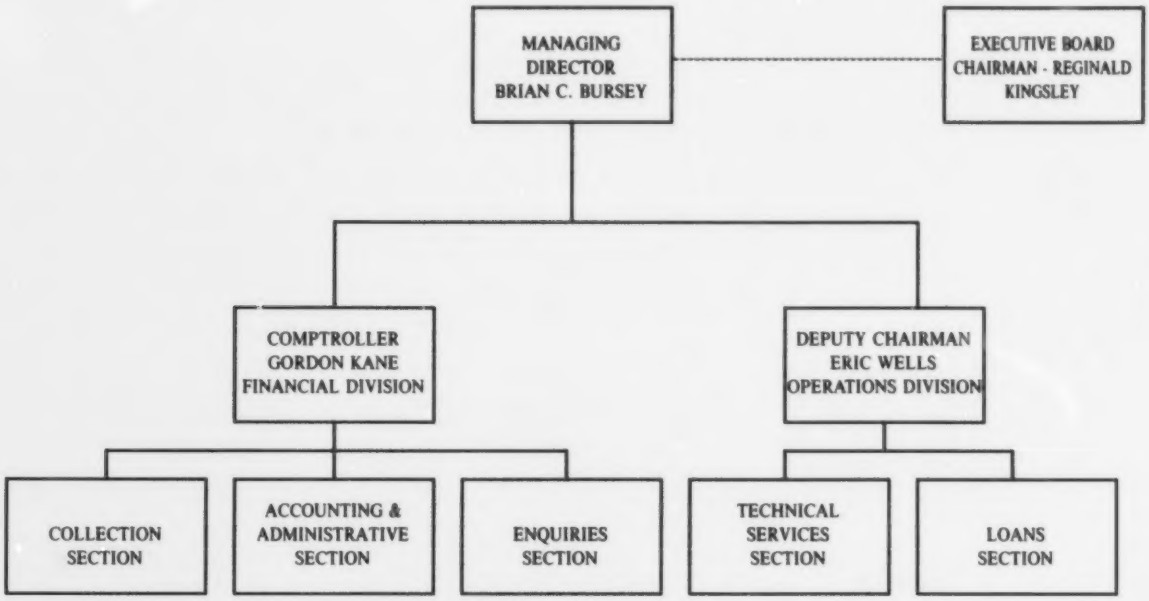


Rebuilding and Repair Bounty (vessels larger than 35 ft.)



Large Boat Bounty (vessels larger than 35 ft.)





Senior Management

Brian C. Bursey - Managing Director
Eric Wells - Deputy Chairman
Gordon Kane - Comptroller and Legal Secretary

Senior Staff

Financial Division

Keith Barry - Assistant Comptroller
Doug Tibbo - Chief Accountant
Susanne Blackmore - Co-Ordinator of Information Services
David Fleming - Collections Supervisor
Greg Bonia - Systems Analyst

Technical Section

James Kenny - Naval Architect
Albert Burgess - Senior Marine Vessel Inspector
Len Edward - Technical Services Co-Ordinator

Loans Section

David Patrick - Bank Loan Program Director
Anne Donnelly - Financial Counsellor
Andy Kean - Senior Loans Officer

Loans Section

The Board's Loan Section is responsible for the administration of the Direct Loan Program and the Bank Loan Guarantee Program. A notable modification to the Direct Loan Program was introduced in 1989/90 with respect to Direct Loans which are under $10,000. Administration procedures were modified to shorten the approval and cheque disbursement process, and the requirement for insurance on vessels in this category was relaxed. These procedures have been in place for most of the fiscal year and have been welcomed by fishermen, suppliers and small boatyards.

The Bank Loan Guarantee Program continued at a reduced level during the fiscal year as indicated in the statistical section of the report. Although new loan activity was down, some fishermen encountered problems in meeting payments on their loans and there was considerable interaction with both bankers and fishermen in this regard. The Board also carried out research concerning possible amendments to the Bank Loan Program. At year end, discussions were being held with officials of the various banks and the review of the Program will be completed early in the coming fiscal year.

Technical Services Section

The Technical Services Section continued another busy year of involvement with all aspects of Loan Board activity and is directly responsible for the three Bounty Programs, vessel inspection and appraisal, the Board's Naval Architecture Program, and the development and enforcement of standards and regulations for fishing vessel construction.

Although the number of loans approved for new vessels decreased, there was still much construction underway from loan approvals in the previous years. This was especially true with respect to larger vessels and payments under the Large Boat Bounty Program reached record levels in 1989/90.

During the year, there were 189 permits issued under the Small Boat Bounty Program, 24 permits under the Large Boat Bounty Program and 17 permits under the Rebuilding/Repair Bounty Program. In addition 733 technical requests were carried out with respect to direct loans. Many fishermen prefer to obtain replacement engines and equipment or repair older boats during periods of uncertainty in the industry and this trend was clearly in evidence by early 1990.

A major change from the previous year was a broadening of the Rebuilding/Repair Bounty Program to include the fibreglass sheathing of wooden boats, a process which can substantially enhance the life expectancy of a vessel. This was the first full year of activity for this type of work since it was approved by the Board in December 1988.

During the year, a number of new builders were approved to build smaller boats and several established companies were also approved to carry out fibreglass sheathing of wooden boats. At the year end, approval was also given to a new shipyard to produce fibreglass boats up to 65 feet. There are now approximately 40 builders on the Fisheries Loan Board Approved Builders List.

Accounting and Administrative Section

This section is responsible for the Board's accounting system and procedures as well as for all other administrative functions of the Board. Approximately 5,400 direct loans are currently administered by this section.

During 1989/90 the conversion to an on-line computerized accounting system was effective in assisting the Board in updating its loan accounts on a daily basis. This change has enabled Board staff to provide current information on the status of loans to enquiring individuals. Other efforts to provide fishermen with improved information concerning the status of their Board financed loans included work towards the development of a new billing statement system. This new system will be completed and introduced during 1990/91.

Collection Section

The Board's assignment of catch program, which is administered by the collection section, continued to generate a significant portion of total account reductions during 1989/90. This program enables fishermen to make payments on their loan accounts throughout the fishing season as income is earned. Comments received from fishermen by the Board indicate that this program is of considerable mutual benefit as a means of facilitating repayment of loan accounts.

Repossession activity continued as a result of follow up on delinquent accounts and approximately 34 vessels were repossessed. Repossession is a last resort exercise for the Board and is undertaken only when all other attempts to rehabilitate the accounts have been unsuccessful. Repossessions are generally voluntary and agreed to by the fishermen involved.

The 1988 Debt Restructuring Program continued to impact on the Collection Section during 1989/1990. The objective of this program was to help relieve the heavy debt burden experienced by many inshore fishermen. Final results of the program showed that 2,146 accounts were restructured by approximately $7.7 million.

The failure of the past winter fishery for the South and Southwest Coasts resulted in the deferment of fishermen's current loan payments and assignment of catch program deductions where the need for same could be demonstrated on an individual basis.

Enquiries Section

The Enquiries Section operates as the front line for fishermen and others who wish to make initial contact with the Board. In 1989/1990 there were approximately 1,300 enquiries as compared with 3,200 enquiries for the previous year. The major decrease was attributed to a reduction in enquiries concerning the 1988 Debt Restructuring Program, a stream lined administration process for loan applications by the loans section, and a general decrease in demand for Fisheries Loan Board assistance as a result of industry conditions.

In addition to general enquiries, the Section is responsible for administering emergency loan requests from fishermen who need financing on a rush basis due to equipment breakdowns or other problems after the fishery commences. There were 38 requests for emergency loans in 1989/1990.

DEPARTMENT OF THE AUDITOR GENERAL
ST. JOHN'S, NEWFOUNDLAND

AUDITOR'S REPORT

The Chairperson and Members
Fisheries Loan Board of
Newfoundland
St. John's, Newfoundland

In compliance with the requirements of Section 16 of The Fisheries Loan Act, I have examined the balance sheet of the Fisheries Loan Board of Newfoundland, Fisheries Loan Fund, as at 31 March 1990 and the statements of revenue and expenditure, equity and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fisheries Loan Board of Newfoundland, Fisheries Loan Fund, as at 31 March 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles disclosed in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

C.R. Hunt, C.A

J.F. McGrath, C.A.
Auditor General

St. John's, Newfoundland
19 September 1990

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

BALANCE SHEET

31 MARCH 1990

	1990	1989
ASSETS		
Cash	$ 304,249	$ 470,924
Lease revenue receivable	-	39,753
Interest subsidy receivable (Note 6)	652,978	425,447
Other receivable (Note 7)	-	6,654
Loans receivable (Note 3)	53,234,198	50,940,119
	53,887,176	51,411,973
Less: Allowance for doubtful accounts	18,928,962	21,075,306
	34,958,214	30,336,667
Total assets	$35,262,463	$30,807,591
LIABILITIES		
Borrowers deposits on new loans	$ 234,139	$ 588,072
Tender deposits	895	896
Total liabilities	235,034	588,968
EQUITY		
Province of Newfoundland		
Contributed capital	45,427,807	43,282,180
Deficit	(10,400,378)	(13,063,557)
Total equity	35,027,429	30,218,623
Total liabilities and equity	$35,262,463	$30,807,591

See accompanying notes

Signed on behalf of the Board

Managing Director

Member

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

STATEMENT OF EQUITY

FOR THE YEAR ENDED 31 MARCH 1990

	1990	1989
Contributed capital, beginning of year	$43,282,180	$45,785,942
Add: Contributions made by Province during the year	10,877,423	8,847,069
	54,159,603	54,633,011
Less: Capital contributions returned to the Province	4,967,009	5,060,232
Principal write-offs (Note 9)	3,764,787	6,290,599
Contributed capital, end of year	45,427,807	43,282,180
Deficit, beginning of year	13,063,557	16,913,095
Add: Payments to the Province for interest collected on loans issued by the Board	1,934,410	1,902,421
Less: Excess of revenue over expenditure (expenditure over revenue)	832,802	(538,640)
Less: Principal write-offs (Note 9)	3,764,787	6,290,599
Deficit, end of year	10,400,378	13,063,557
Equity, end of year	$35,027,429	$30,218,623

See accompanying notes

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 1990

	1990	1989
REVENUE		
Interest on loans	$2,907,413	$2,785,892
EXPENDITURE		
Provision for doubtful accounts	2,074,453	3,324,195
Operating expenses (Note 4)	158	337
	2,074,611	3,324,532
Excess of revenue over expenditure (expenditure over revenue)	$ 832,802	$ (538,640)

See accompanying notes

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 1990

	1990	1989
Cash resources were provided by:		
Principal installments on loans receivable	$ 5,105,123	$ 5,244,050
Interest on loans receivable	1,183,121	1,285,281
Provincial bounty on loans advanced	351,632	380,624
Required payments on loans advanced	1,231,525	1,102,270
Tender deposits	9,250	17,715
Province of Newfoundland		
- Advances to fund	10,877,423	8,847,068
- Interest subsidy (Note 6)	2,464,051	781,584
Marine insurance payments (net)	268,825	117,589
Lease advances	7,006	2,038
	21,497,956	17,778,219
Cash resources were used for:		
Loan advances		
- Purchase of boats and equipment	12,032,797	10,037,035
Repossession expenses	38,834	63,768
Payments of interest subsidy (Note 6)	2,691,581	1,065,997
Federal subsidy refunds	-	8,290
Payments to Province of Newfoundland	6,901,419	6,962,653
	21,664,631	18,137,743
Decrease in cash during year	166,675	359,524
Cash, 1 April	470,924	830,448
Cash, 31 March	$ 304,249	$ 470,924

See accompanying notes

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1990

1. Authority

The Fisheries Loan Board of Newfoundland operates under authority of The Fisheries Loan Act, Chapter 134, Revised Statutes of Newfoundland 1970. These statements are a representation of the activities of the Fisheries Loan Fund as established by Section 6 of that Act. The Fisheries Loan Regulations, 1980, established under The Fisheries Loan Act, state in Section 14 that the minimum amount that the Board may advance by way of a loan to fishermen is $1,000 and the maximum amount shall be $50,000.

2. Accounting policies

(a) Basis of accounting

The Board follows the accrual basis of accounting.

(b) Allowance for doubtful accounts

The allowance for doubtful accounts relates to loans receivable and represents an estimate of future probable losses on the accounts outstanding at year end. With respect to this estimate, the Board recognizes that future economic and fishing industry conditions are not predictable and, therefore, their impact on the collectibility of loans is uncertain.

Actual losses on loans are charged to the allowance while recoveries of loan losses are credited to the allowance. The adjustment of the allowance to the appropriate level is charged to operations as a provision for doubtful accounts.

(c) Capital contributions

The Fisheries Loan Board receives capital contributions from the Province under Section 11 of The Fisheries Loan Act to be deposited into the Fisheries Loan Fund for the purpose of making loans or advances to fishermen and to other persons, associations, societies or companies engaged either directly or indirectly in the catching, handling, processing, or distribution of fish or fish products.

2. Accounting policies (Cont.)

(d) Payments to the Province

During 1985 an amendment was made to The Fisheries Loan Act regarding collections on loans receivable. The amendment required the Board to pay into the Consolidated Revenue Fund out of the Fisheries Loan Fund such monies as directed by the Lieutenant-Governor in Council. As directed by the Lieutenant-Governor in Council the interest portion of all loan payments are remitted to the Consolidated Revenue Fund with the principal portion remitted to the Department of Fisheries, all on a monthly basis.

3. Loans receivable

	1990	1989
Principal not yet due	$26,036,645	$22,891,262
Principal due and unpaid	20,036,344	21,341,194
Interest due and unpaid	5,674,328	5,304,943
Interest accrued	1,486,881	1,402,720
	$53,234,198	$50,940,119

Included in the principal and interest outstanding at 31 March 1990 is the amount of $7,933,870 (31 March 1989 - $7,519,124) which represents principal and interest due from individuals whose boats have been repossessed and sold. Of this amount $300,945 (31 March 1989 - $357,519) represents the balance of contracts entered into prior to 3 September 1974, of which a portion is not legally collectible. Principal and interest due from individuals whose boats have been repossessed and unsold amounted to $840,014 (31 March 1989 - $349,455).

4. Operating expenses

The Department of Fisheries, Province of Newfoundland, was responsible for current account operating expenses of the Fisheries Loan Board totalling $4,886,363 (1988-89 - $3,011,742). These expenses are not reflected in these financial statements.

5. Commitments

Loans authorized but not disbursed as at 31 March 1990 amounted to $3,530,147 (31 March 1989 - $6,422,630). It is expected that the majority of these loans will be disbursed within the five month period ending 31 August 1990 from advances to be made to the Fund by the Province.

6. Interest subsidy

The Board pays an interest subsidy for the interest charges on fishermen's bank loans to the extent of the difference between the bank's interest rate and the Board's interest rate when the loan was approved. These payments are subsequently recovered from the Province and charged to the Department of Fisheries. For the year ended 31 March 1990 the Board paid $2,691,581 (31 March 1989 - $1,065,997) in interest subsidy and had recovered $2,464,051 (31 March 1989 - $781,584) from the Province.

7. Other receivable

During 1986-87 the Board placed two vessels into a pilot leasing program as directed in M.C. 1132-'85 which approved the establishment of a three year leasing program for up to a maximum of ten vessels. These leased vessels were set up in the name of the Minister of Fisheries and assigned a fair market value determined by public tender. This fair market value paid by the Board on these vessels was set up in the accounts of the Board with an offsetting credit to the loan accounts of the fishermen from whom the vessels had been repossessed. The account balances of these vessels were reduced by the lease payments received from the lessees of these vessels.

7. Other receivable (Cont.)

During 1987-88 the lessee of one of the two above mentioned vessels exercised the option to purchase, thereby reducing the number of leased vessels at 31 March 1988 to one. This last vessel was sold on tender 7 June 1989 thereby terminating the above mentioned program.

8. Income taxes

The Fisheries Loan Board is not subject to Federal or Provincial income taxes.

9. Principal write-offs

During the 1989-90 fiscal year the Board received approval to write off principal balances of $305,158 (1988-89 - $1,963,635) as bad debts and $3,459,629 (1988-89 - $4,326,964) for debt restructuring as approved by M.C. 295-'88, thereby reducing both its liability to the Province and its overall deficit position.

10. Contingent liabilities

A client of the Fisheries Loan Board has taken legal action jointly against a boat builder and the Fisheries Loan Board as a result of certain alleged technical problems that the fisherman claims to have experienced with a vessel that was financed through the Fisheries Loan Board Program. The amount of this potential claim is in the $900,000 to $1,100,000 range. Notwithstanding the above, however, the opinion of the Department of Justice regarding the Board's risk of exposure is that there is a good defence to this claim and that risk of loss should consequently be minimal.